UNITED STATES DEPARTMENT OF COMMERCE NEWS WASHINGTON, D.C. 20230





EMBARGOED UNTIL TUESDAY, APRIL 1, 2008, 1:30 P.M. EDT

Contact: Bridget Gonzales Young Phone: (202) 482-3774

Email: bgonzales@mbda.gov

New Report Indicates Minority-owned Firms More Likely to Export

WASHINGTON -- A new report released today by the Minority Business Development Agency shows America's competitiveness and economic growth in the global market will increasingly depend on the growth and expansion of minority owned businesses.

The report, Characteristics of Minority Businesses and Entrepreneur: An Analysis of the 2002 Survey of Business Owners, analyzes minority businesses to identify trends that may have impacted their performances in 2002. According to the report, minority-owned firms were twice as likely to export (2.5 percent of firms) compared to non-minority-owned firms (1.2 percent of firms). Accelerated growth of the minority population, which is expected to reach 50 percent of the Nations population by 2050, is a key factor in helping to position minority firms as increasingly important players in America's business sector.

"U.S. minority firms are a great American asset and the time is right for them to seize the opportunity to expand and export their goods internationally, said Ronald N. Langston, national director of the Minority Business Development Agency at the U.S. Department of Commerce. "Doing so will not only grow their business but strengthen the national economy and create jobs in minority communities."

More than 70 percent of the world's purchasing power—and 95 percent of its population-- is beyond U.S. borders. Langston points to President Bush's trade agenda and free trade agreements as pro-business policies that are creating new business opportunities for minority businesses to grow.

"Free trade agreements, along with the ease of global transportation and the Internet continue to simplify the export process. Together, these are great tools to help all U.S. companies maintain their competitive advantage," said Langston. "We need to do everything we can to encourage more minority firms to engage in exporting and global expansion. They are vital to America's economic success."

The report confirms that minority firms have a competitive export advantage over all firms due in part to language capabilities, ancestral ties, cultural compatibility and potentially great agility and nimbleness because of their size.

With free trade partners in Asia, Africa, Latin American and the Caribbean, U.S. businesses continue to increase their sales abroad. In 2007, U.S. exports to countries where there was a free trade agreement in effect exceeded \$472 billion, accounting for roughly 41 percent of U.S. exports.

Challenges for Minority Firms

To fully realize their growth potential, however, minority businesses must overcome some unique challenges. For example, the MBDA report examines obstacles minorities face in growing their businesses such as using adequate capital to start and expand the business.

Access to adequate capital remains a problem for most minority-owned firms. Minority-owned firms were more likely to use credit cards and less likely to use bank loans to start or acquire their businesses compared to non-minority-owned firms. One way MBDA and its network of centers is addressing this challenge is to facilitate traditional commercial loans, government guaranteed loans and in some instances, private equity for minority firms. In fiscal year 2006 MBDA produced \$407 million in financial transactions and nearly \$1.2 billion in procurement opportunities for its minority business clients.

"Access to capital and the marketplace are essential to fostering the growth of minority firms," said Langston. "Our programs and services are assisting thousands of minority business clients with securing the capital they need to realize their business potential."

The report also outlines other opportunities for minorities to grow their businesses.

Minority firms that have a diverse customer portfolio-- other businesses/organizations, the federal government and international customers-- are at an advantage to increase their bottom line. Large minority firms with receipts of \$500,000 or more were already capitalizing on this market of opportunity. The report finds the larger the company in terms of receipts size, the more likely it sold goods and services to businesses or organizations, the federal government and globally.

Other characteristics of minority businesses include:

- Minority firms were more likely to operate as franchises compared to non-minority firms. Many franchised businesses provide managerial and marketing training to franchise operators. This training can help close the gap in educational attainment among minorities.
- Minority business owners attained lower educational levels compared to non minority business owners. Targeted educational programs are necessary to address the educational gap of minority entrepreneurs and support the growth and expansion of minority businesses.
- Average gross receipts for firms with employees increased by 5 percent between 1997 and 2002, as opposed to a decrease in those of all minority firms.

A full copy of the new MBDA report, Characteristics of Minority Businesses and Entrepreneur: An Analysis of the 2002 Survey of Business Owners, can be found at the Agency's website at www.mbda.gov.

The 2002 Survey of Business Owners is part of the Economic Census and includes results from a questionnaire conducted by the U.S. Census Bureau. The survey was distributed by mail to a random sample of 2.3 million businesses selected from a list of all U.S. firms operating during 2002 with receipts of \$1,000 or more. About 81 percent of the 2.3 million firms responded to the survey.

-30-

About the Minority Business Development Agency, U.S. Department of Commerce Established in 1969 and headquartered in Washington, DC, the Minority Business Development Agency (MBDA) is part of the U.S. Department of Commerce. MBDA is the only federal agency created specifically to foster the establishment and growth of minority-owned businesses in this Nation. The Agency actively promotes the strategic growth and competitiveness of large, medium and small minority business enterprises by offering management and technical assistance through a network of approximately 50 local business centers throughout the United States. Helpful business resources for minority entrepreneurs are available at www.mbda.gov.